



U.S. Department
of Transportation
**Federal Highway
Administration**

Michigan Division

315 W. Allegan, Room 201
Lansing, Michigan 48933

February 14, 2008

Mr. Leon Hank
Chief Administrative Officer (B450)
Michigan Department of Transportation
Lansing, Michigan

Dear Mr. Hank:

FHWA and FTA have jointly reviewed the Statewide Transportation Improvement Program (STIP) for Fiscal Years 2008-2011, including the Transportation Planning Process Certification, transmitted by your January 22, 2008, letter and as revised by your submittal of February 12, 2008. Our review also included all of the urbanized area Transportation Improvement Programs (TIPs) included in the STIP by reference. The TIPs for the Battle Creek Area Transportation Study (BCATS), the Region 2 Planning Commission (R2PC), and the Kalamazoo Area Transportation Study (KATS) cover only FY 2008, until the plans for these areas are deemed SAFETEA-LU compliant.

The FY 2008-2011 STIP represents a major departure from past programs with a new uniform format, input template, and common software for the beginnings of an e-STIP process. We commend the Department for taking the lead on this effort, conducting workshops with the MPOs, establishing the details of the process, reviewing electronic data files, and providing quality control for the final submission. As with any new endeavor the task was challenging, but the result will help us automate the STIP process and improve efficiency. We acknowledge and sincerely appreciate the extent and the intensity of the joint effort with the MPOs to complete this transition to a new way of doing business. We look forward to assisting the Department in future efforts to create a more fully automated process.

The TIPs for Michigan's non-attainment and maintenance areas have also been reviewed for conformance with the air quality requirements. The air quality conformity review was coordinated with the Region 5 Office of the Environmental Protection Agency (EPA). We jointly find the 2008-2011 TIPs for Holland/Grand Rapids, Flint, Benton Harbor/St. Joseph, Niles, Lansing, Muskegon, Allegan County, and Southeast Michigan are in conformance with the transportation related requirements of the 1990 CAAA and the regulations for determining conformity of transportation plans and programs to the State Implementation Plan (SIP) for air quality as contained in 40 CFR Part 93. The FY 2008 TIPs for Battle Creek and Kalamazoo are also found to be in conformance. A new conformity finding (plan and TIP) will be needed for the Battle Creek/Kalamazoo air quality area once this combined area becomes SAFETEA-LU compliant. A new conformity finding will be required in any air quality area if a TIP is modified by adding or deleting non-exempt projects, or if any of the triggering events specified in 40 CFR 93 occur.

In our initial review, we identified and discussed with you the need to: (1) document the revenue estimating procedures and (2) resolve the Advanced Construction (AC) conversion deduction issue. We provided detail comments on each of these items. We appreciate the effort to address these items as reflected in your submittal of February 12, 2008. This new material provides more information on the decision to use a 2 percent growth rate and that it was applied using FY 2008 as a base. This is useful information, but other questions remain.

For example:

- The FY 2008 Federal Highway Program base amounts shown on the flowcharts keep growing. In the January 22, 2008 submittal, it was \$1,149.9 M; in the January 31, 2008 submittal, \$1,231.7 M; and in the February 12, 2008 submittal, \$1,372.2.
- We assume these numbers represent FHWA funds plus minor amounts from other Federal sources, but the amounts do not match the figures shown in Table 6. Your February 12, 2008 submittal indicates that the MDOT AC conversion estimates have been deducted in Table 6, but Table 6 is basically unchanged, while the flowchart increased by \$140 M.
- If we total the Federal-aid for FY 2008 in Table 6 and deduct the non FHWA funds this amount exceeds available Federal-aid by over \$100 M; and if we deduct another \$126 M for AC conversions, we are off by \$226 M.
- In addition to these revenue questions examples, we also remain concerned that MDOT long term AC projects are not identified as AC and are not properly listed as AC during the year of initial authorization.

Since we may be missing something in understanding your process, we believe it is important to resolve these questions and those mentioned in our previous priority list.

Pending a more complete resolution/understanding, we are conditionally approving the FY 2008-2011 STIP, including the projects in the referenced urbanized area TIPs, through April 15, 2008. This period of conditional approval will provide an opportunity to address these items. We recommend joint staff working sessions to map out the processes followed and to find the best way to address each with a target resolution date of April 15, 2008. (See Enclosure 1 for additional information on the approval condition expectations and Enclosure 2 for comments and recommendations for future STIP updates). The Department and the MPOs, with the exception of Battle Creek, Jackson, and Kalamazoo, may now begin processing revisions using the new e-STIP procedures. For Battle Creek, Jackson, and Kalamazoo, revisions cannot be processed until these areas have been deemed SAFETEA-LU compliant.

As we move forward in integrating the e-STIP files into the overall process for managing the STIP, the electronic files will be the conduit for processing future STIP amendments. The e-STIP files we are transmitting back to the Department as part of this conditional approval contain the appropriate date in the "Federal Approval Date" column reflecting the most recent action by FHWA and FTA. These files form the "official" STIP and will be the base for future revisions (amendments and/or administrative adjustments).

This conditional approval of the STIP covers the federally funded projects. Such projects may be advanced following regular Federal-aid procedures. This conditional approval updates the interim approval provided on January 31, 2008 by adding conditions that require attention as discussed above. We will revisit this approval action on or before April 15, 2008. If there are any questions concerning our actions on the TIPs or STIP, please contact Jim Cramer, FHWA, at (517) 702-1827 or Stewart McKenzie, FTA at (312) 353-2866.

Sincerely,

James J. Steele
Division Administrator

cc: Susan Mortel, Planning (B340)
Profile No. S-97493

Review of FY 2008-2011 STIP

Approval condition expectations for the joint working sessions to address the revenue estimation documentation and AC conversion issues:

1. Revenue Estimation Documentation - Joint working group will:
 - a. Map out or list the revenue estimation steps used for the 2008-2011 STIP, including assumptions, trends, base amounts, and distribution;
 - b. Agree on an outline for documenting the process; and
 - c. Prepare a narrative that updates the STIP with appropriate charts, tables, and text to explain the process.
2. AC Conversion- Joint working group will:
 - a. Map out or list the steps used to display the revenue in Table 6;
 - b. Identify and determine why the AC conversion is not being deducted from the column showing available Federal revenue;
 - c. Agree on workable solution;
 - d. Document the necessary procedural or data entry changes to implement the solution; and
 - e. Implement the solution by updating the STIP (and TIPs as needed) with the necessary changes.

Review of FY 2008-2011 STIP

Comments and Recommendations for Future STIP Updates:

1. Much experience was gained throughout the development of the new uniform format and the initial e-STIP. We look forward to the post critique workshop with the Department and the MPOs that will assess the new format and discuss possible process improvements. The lessons learned can help us move the process to the next level.
2. Regulations 23 CFR 450.216(l) and 23 CFR 450.324(h), call for a cooperative revenue estimating process for use in developing the S/TIP. We recommend this process be revisited for future S/TIPs and look forward to working with the Department and the MPOs to more fully explore and document this process.
3. During the last development cycle, some S/TIP development and management issues were set aside because of our focus on the e-STIP effort. We recommend that our staff work together to identify and resolve such issues.
4. The single line entry for the “Rural Task Force Program” has grown to be quite large. We need to explore ways to better represent such projects in the STIP. Some projects might warrant an individual listing, the single entry may warrant a geographic division and a separate appendix listing the projects may be appropriate. We may also want to look at the “Small Urban Program.”
5. When reviewing the transit portion of the project lists, coding errors were found. We recommend that the Department and the MPOs insert the appropriate “phase” category for the transit projects. They are currently listed as “CON” (construction), where the descriptions, per the “Uniform S/TIP Project Data Guidelines, should be “T-Cap” or “T-Ops” for Transit Capital and Transit Operations.
6. As seen in Appendix M –Transit Programs, the reference to “Section 5313(b) Planning and Research” should be changed to “Section 5304 Statewide Transportation Planning”. Also, for future STIP cycles, we recommend that the Department include the programming of Section 5304 funds somewhere in the document.
7. The methodology used to determine the revenue estimates for various categories of transit funding is not addressed in the STIP narrative. This process must be more clearly addressed in the next STIP.
8. The e-file project listings and financial tables currently contain FAA and DHS revenues and projects that are not regionally significant. Since these dollars and projects are creating problems with the electronic elements of the e-S/TIP, we may want to consider excluding these from the e-listings and financial tables. Instead such projects could be present for information, if deemed necessary, in a separate chapter of affected TIPs.